COMMANDERS DIGEST

VOL. 15, NO. 10/MARCH 7, 1974

DEFENSE BUDGET

FY 75 DEFENSE BUDGET

The Defense Budget for Fiscal Year 1975 is based upon the continued need for a strong Defense posture to support United States national objectives and represents the minimum level of resources necessary to assure that goal. For the first time in 10 years, the Defense budget does not include funds to support combat operations of United States forces any place in the world. The transition from support of U.S. forces involvement in combat operations in Southeast Asia to full South Vietnamese responsibility for protection of their sovereignty has been completed. The U.S. role of material support to the Armed Forces of South Vietnam will continue in FY 1975.

The changed situation in Southeast Asia does not, however, obviate the need for U.S. military readiness. A strong Defense posture today remains absolutely essential to the security of the United States and the security of our people. It is the cornerstone of our ability to carry out meaningful negotiations on arms and forces limitations as we continue to seek reductions of world tensions and the deterrence of war across the entire spectrum of potential risk.

Secretary's Message

As Secretary of Defense James R. Schlesinger has stated: "This budget bears directly on whether or not the United States will continue to fulfill the responsibilities that it has around the world." The budget has been prepared to fulfill these national objectives.

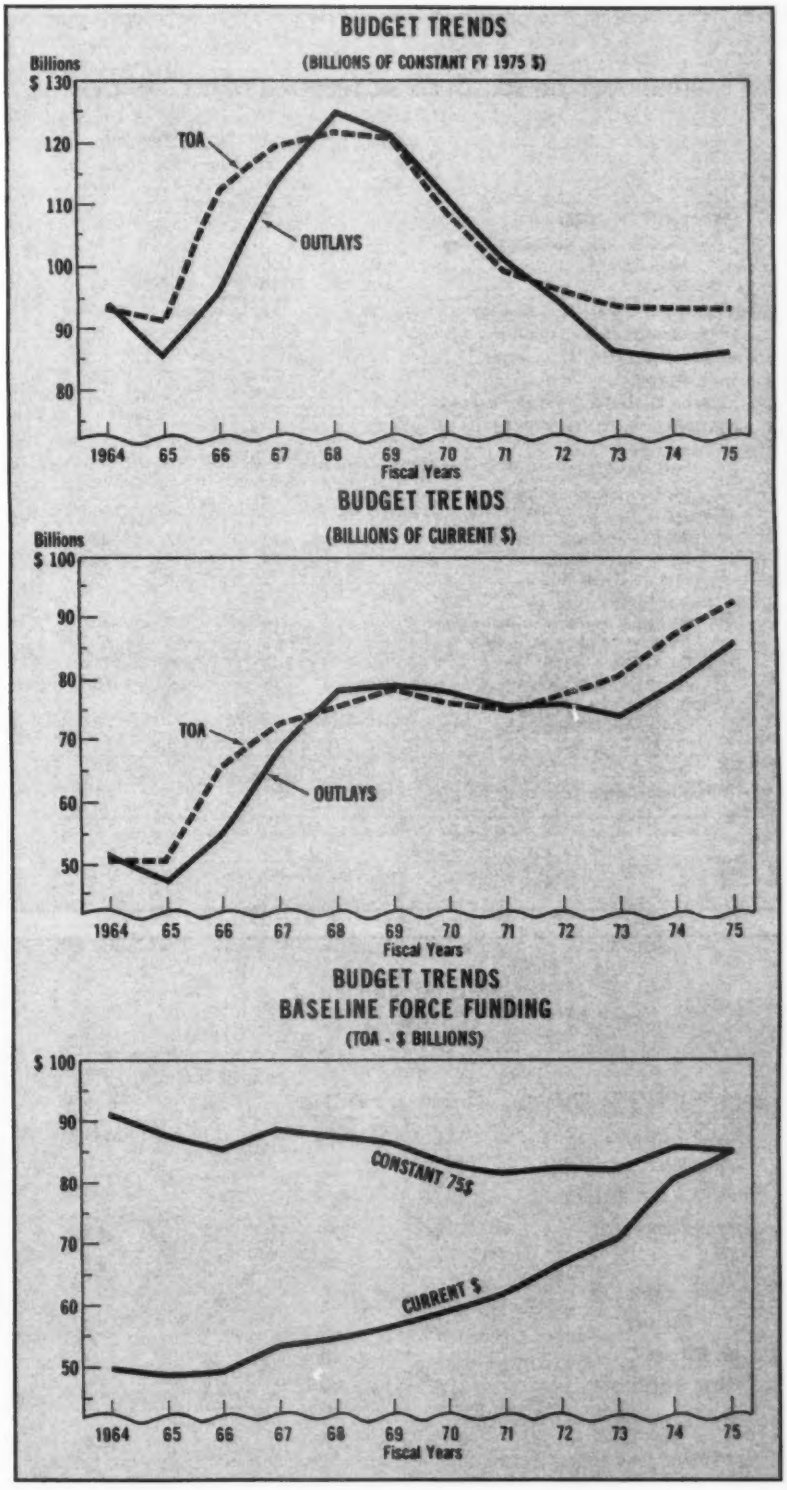
A Fiscal Year 1974 supplemental also is urgently recommended at this time to maintain and improve essential force readiness in the near term; and that force readiness will continue to be maintained and improved in FY 1975. Specific attention is given to providing more combat forces within an essentially level constant-dollar budget. Important modernization programs will continue,

although manpower costs continue to rise, for the second successive year. The proportion of the budget devoted to personnel and related costs will remain stable at 55 percent.

Highlights of the Defense Budget

Financial

- The budget includes *FY 1974 supplemental* requests for $6.2 billion over amounts currently appropriated by the Congress. Of this amount, $3.4 billion is required for pay and rate increases, most of which was included in the original FY 1974 budget requirements in January 1973. The balance of $2.8 billion is urgently required to maintain the required readiness level of U.S. Forces. The total budget request for FY 1974 of $87.1 billion total obligational authority is still more than $400 million below the amounts originally requested by the Department for FY 1974.
- The *FY 1975 budget* request for total obligational authority is $92.6 billion, an increase of $5.5 billion over FY 1974. This increase is fully required to cover pay and price increases. Pay increases alone will required $3.5 billion additional for FY 1975.
- FY 1975 outlays are estimated at $85.8 billion. At this level, Defense continues to decline as a percentage of the total Federal Budget from 27.9 percent in FY 1974 to 27.2 percent in FY 1975. Defense outlays continue for the second year to represent less than 6 percent of the Gross National Product (GNP). The prewar FY 1964 percentage was 8.3 percent. A fiscal year 1975 Defense budget at the prewar FY 1964 share of GNP would total more than *$120 billion.*
- The Defense share of the Federal Budget at 27.2 percent and of the GNP at 5.9 percent is at its lowest level since 1950.
- Defense represents 17.1 percent of



SUMMARY OF SELECTED ACTIVE MILITARY FORCES

	Actual June 30, 1964	Actual June 30, 1973	Estimated June 30, 1974	Estimated June 30, 1975
STRATEGIC FORCES:				
Intercontinental Ballistic Missiles:				
MINUTEMAN	600	1,000	1,000	1,000
TITAN II	108	54	54	54
POLARIS-POSEIDON Missiles	336	656	656	656
Strategic Bomber Squadrons	78	30	28	27★
Manned Fighter Interceptor Squadrons	40	7	7	6
Army Air Defense Firing Batteries	107	21	21	0
GENERAL PURPOSE FORCES:				
Land Forces:				
Army Divisions	16 1/3	13	13	13 1/3
Marine Corps Divisions	3	3	3	3
Tactical Air Forces:				
Air Force Wings	21	22	22	22
Navy Attack Wings	15	14	14	14
Marine Corps Wings	3	3	3	3
Naval Forces:				
Attack & Antisubmarine Carriers	24	16	14	15
Nuclear Attack Submarines	19	60	61	67
Other Warships	368	242	186	191
Amphibious Assault Ships	133	66	65	65
AIRLIFT AND SEALIFT FORCES:				
Strategic Airlift Squadrons:				
C-5A	0	4	4	4
C-141	0	13	13	13
Troopships, Cargo Ships and Tankers	100	53	32	32

★ Reflects Reorganization; Total number of strategic bombers remains unchanged from FY 74.

FINANCIAL SUMMARY

(Billions of $)

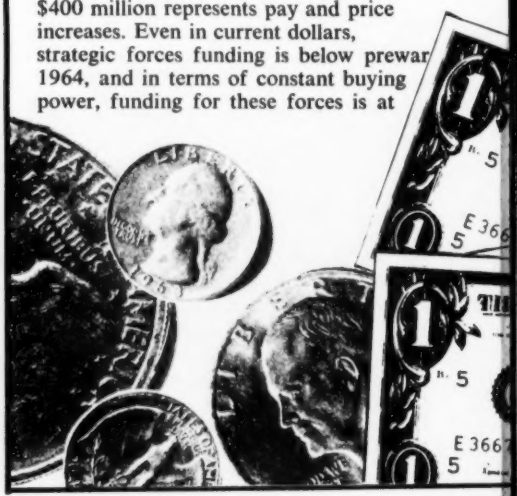
APPROPRIATION TITLE	FY 1964	FY 1968	CURRENT DOLLARS TOTAL OBLIGATIONAL AUTHORITY FY 1974	FY 1975
Military Personnel	13.0	19.9	24.4	25.9
Retired Pay	1.2	2.1	5.2	6.0
Operation & Maintenance	11.7	20.9	24.2	26.6
Procurement	15.0	22.6	18.7	19.9
RDT&E	7.1	7.3	8.3	9.4
Military Construction	1.0	1.5	1.8	2.1
Family Housing	.6	.6	1.1	1.3
Civil Defense	.1	.1	.1	.1
Military Assistance	1.0	.6	3.3	1.3
Total	50.7	75.6	87.1	92.6

net public spending, continuing to decline from the FY 1968 level of 29.2 percent and 11 percentage points below FY 1964.

- Defense outlays in constant dollars (eliminating pay and prices increases) have decreased $38.8 billion since the Southeast Asia war peak in FY 1968. This represents a full return of the "Peace Dividend," plus an additional $7.8 billion reduction below the prewar FY 1964 level of outlays.
- Investment programs (procurement, research, development, test and evaluation (RDT&E), construction) increase in FY 1975 by $2.8 billion, of which $1.5 billion is attributable to inflation. The largest program increases are in TRIDENT ($+600 million), AWACS ($+607 million); and patrol frigate ($+437 million).
- Operating programs (military personnel and operation and maintenance) increase by $3.9 billion, but $3.6 billion of this amount is required to cover pay and price increases. Significant operating fund increases include airlift crews and associated costs ($+120 million), ship alterations and maintenance ($+100 million), unit personnel readiness ($+110 million) and Guard and Reserve Forces readiness ($+195 million), and
- Military Assistance Programs are budgeted at $1.3 billion—a decrease of $2.0 billion almost wholly related to the large increase for Israel in FY 1974 that is not reflected in FY 1975.

Major Program Changes

- Strategic forces programs increase by $700 million in FY 1975, of which $400 million represents pay and price increases. Even in current dollars, strategic forces funding is below prewar 1964, and in terms of constant buying power, funding for these forces is at



50 percent of the 1964 level. The TRIDENT program accounts for a major part of the new FY 1975 increase.

- General purpose forces show a $2.7 billion increase in current dollars. All of this increase plus an additional $500 million is required to cover pay and price increases for support of these forces. In terms of constant dollars, funding decreases in FY 1975 and is more than a billion dollars below the FY 1964 level.
- Intelligence and communications programs will increase by $600 million, of which $200 million represents a real program increase. On a constant dollar basis, these programs are $1.1 billion below FY 1964.

—Intelligence programs increase by about $140 million with almost $100 million required to cover pay and price increases. The balance is required to support classified intelligence programs.

—Communications programs requirements are $300 million above FY 1974. Of this amount, almost $200 million is due to pay and price increases. The real program increase of $100 million covers numerous relatively small improvements to communications systems of all of the Military Departments, including the Defense Communications System (DCS).

- Airlift and sealift programs remain level for FY 1974 and FY 1975, and are only slightly more than 50 percent of the FY 1964 program funding level.

FINANCIAL SUMMARY
(BILLIONS OF CURRENT $)

Allocation of Resources to Baseline Forces

	TOTAL OBLIGATIONAL AUTHORITY				
	FY 1964	FY 1968	FY 1973	FY 1974	FY 1975
CURRENT DOLLARS					
Baseline Forces	49.4	54.2	70.9	80.3	84.7
Military Retired Pay	1.2	2.1	4.4	5.2	6.0
Additional SEA Cost	-	19.3	5.2	1.6	1.9
TOTAL	50.6	75.6	80.5	87.1	92.6
CONSTANT FY 1975 DOLLARS					
Baseline Forces	91.0	87.6	82.0	85.6	84.7

FY 1975 DEPARTMENT OF DEFENSE BUDGET

SCHEDULING OF FY 1975 APPROPRIATIONS REQUESTS
($ MILLIONS)

Appropriations (TOA) Requested with Budget Transmittal on January 28, 1974		90,337
Appropriations to be Requested at a later date, but included in a Defense Budget, as detailed below		2,242
TO FINANCE FUTURE PAY RAISES:		
Oct. 1, 1974 Military and Civilian Pay Raises	(1,525)	
FY 1975 Wage Board Pay Raises	(215)	
Retired Pay CPI Increase	(260)	
Subtotal	(2,000)	
TO FINANCE PROPOSED LEGISLATION NOT YET ENACTED:		
Retired Pay Reform	(55)	
Volunteer Forces	(153)	
Flight Pay	(25)	
Selective Continuation of Officers	(9)	
Subtotal	(242)	
TOTAL BUDGET REQUEST—FY 1975		92,579

Airlift improvement initiatives started with the FY 1974 Supplemental are continued in FY 1975, but most are offset by reductions in C-130H procurement. Also, a part of the funds are carried under central supply and maintenance programs, due to the character of the initiatives.

- Guard and Reserve forces funding continues the increase started in FY 1972. While the increase amounts to $400 million in the budget request, $300 million is required to offset pay and price increases. The major increase is in operation and maintenance funding for depot maintenance of equipment, civilian technicians, and supplies necessary to support the more modern equipment provided to these forces over the past few years.

- Research and development will increase by $1.4 billion, including $500 million to offset pay and price increases. The "Military Program" research and development differs from the appropriation in that when operational systems enter the production phase, the production and research costs associated with these systems are allocated to appropriate specific force programs:

—Basic research and exploratory development funding will remain in FY 1975 at the FY 1974 level of $1.4 billion. This represents research accomplished prior to actual weapons systems identification.

—Advanced systems development will increase by about $650 million in FY 1975 with some of the larger increases being for: site defense, $50 million; strategic cruise missile, $42 million; air launched cruise missile, $69 million; and advanced intercontinental ballistic missile (ICBM) technology, $33 million.

—Engineering (full scale) development of weapons systems will increase by almost $500 million. The principal systems involved are: TRIDENT missile, $121 million; AWACS, $64 million; advanced airborne command post, $52 million; B-1 bomber, $51 million; Air Force air combat fighter, $36 million; and Navy fighter prototype, $34 million.

- Central supply and maintenance covers the logistics operations of the Department. Although there is a $400 million increase in the FY 1975 budget request, pay and price increases will increase costs about $600 million. The

FINANCIAL SUMMARY
($ BILLIONS)

APPROPRIATION TITLE	FY 1964	FY 1968	CONSTANT FY 1975 DOLLARS TOTAL OBLIGATIONAL AUTHORITY FY 1974	FY 1975
Military Personnel	30.9	37.8	26.2	25.9
Retired Pay	2.4	3.6	5.7	6.0
Operation & Maintenance	21.0	33.4	26.0	26.6
Procurement	23.2	31.7	19.5	19.9
RDT&E	11.2	10.4	8.8	9.4
Military Construction	1.9	2.6	1.9	2.1
Family Housing	1.0	.9	1.2	1.3
Civil Defense	.2	.1	.1	.1
Military Assistance	1.5	.8	3.4	1.3
TOTAL	93.3	121.5	93.0	92.6

FINANCIAL SUMMARY
(BILLIONS OF $)

MILITARY PROGRAM	FY 1964	FY 1968	CURRENT DOLLARS TOTAL OBLIGATIONAL AUTHORITY FY 1974	FY 1975
Strategic Forces	8.5	7.2	6.9	7.6
General Purpose Forces	16.4	30.4	27.9	29.2
Intelligence & Communications	4.4	5.5	5.9	6.5
Airlift & Sealift	1.0	1.8	1.0	1.0
Guard & Reserve Forces	1.8	2.2	4.4	4.8
Research & Development	4.8	4.3	7.0	8.4
Central Supply & Maintenance	4.6	8.4	8.9	9.3
Training, Med. & Gen. Pers. Activ.	7.0	12.2	18.2	20.1
Administration	1.1	1.2	1.8	2.2
Support of Other Nations	1.1	2.4	5.1	3.5
Total	50.7	75.6	87.1	92.6

FINANCIAL SUMMARY
(BILLIONS OF $)

MILITARY PROGRAM	FY 1964	FY 1968	CONSTANT FY 1975 DOLLARS TOTAL OBLIGATIONAL AUTHORITY FY 1974	FY 1975
Strategic Forces	15.1	11.4	7.3	7.6
General Purpose Forces	30.4	48.4	29.7	29.2
Intelligence & Communications	7.6	8.5	6.3	6.5
Airlift & Sealift	1.9	2.7	1.0	1.0
Guard & Reserve Forces	3.7	3.8	4.7	4.8
Research & Development	7.9	6.3	7.5	8.4
Central Supply & Maintenance	8.4	13.3	9.5	9.3
Training, Medical, other Gen. Pers. Activ.	14.5	21.4	19.6	20.1
Administration & Assoc. Activities	2.1	2.1	2.0	2.2
Support to Other Nations	1.7	3.6	5.4	3.5
Total	93.3	121.5	93.0	92.6

constant dollar program decreases by $200 million. Although overall program levels decrease, improvement has been budgeted in depot maintenance of material and in ship overhaul programs.

- Training, medical and general personnel activities increase by $1.9 billion with a real program increase of $500 million.

The largest increase in this program is for military retired pay in the amount of $800 million. Of this amount, $300 million is a real program change associated with retired population increases.

—The other major real program increase is in family housing and military construction of about $100 million.

—Pay and price increases, excluding retired pay, will require almost $900 million in FY 1975 over FY 1974.

- Administration and associated activities reflect a real program increase of $200 million and a budget increase of $400 million. The real program increase primarily results from the requirement for the Defense Department to pay the General Services Administration for rental of Government-owned but GSA-managed office space. The FY 1975 budget includes $181 million for this purpose.

- Support of other nations is primarily the Military Assistance Program and Free World Force Support (South Vietnam only in FY 1975) in the regular Defense budget. As previously discussed, the Military Assistance Program decreases $2.0 billion in FY 1975, and the Free World Force Support Program increases by $550 million.

Forces and Personnel

- Strategic missile forces do not change in total, but modernization of Minuteman and conversion of Polaris to Poseidon submarines continue.

- Strategic bomber forces have been reorganized into 27 squadrons with no decrease in the number of aircraft in the force.

- Since FY 1964, the mix of our strategic missile and bomber forces has changed significantly as missile forces have been increased and bombers retired from the force. Strategic Force capability has been greatly improved by force improvement and modernization programs.

- Active air defense units are further decreased as marginally effective units are retired in accordance with established plans.

- Army divisions will be increased to 13 1/3 by reorganization and allocation of manpower from support to combat units. Marine Corps divisions (3) remain unchanged. Our total land forces divisional strength at the end of FY 1975 will be 16 1/3 divisions as contrasted with the prewar FY 1964 strength of 19 1/3 divisions.

- Tactical air forces remain stable and are at about the same level as prewar FY 1964.

- Naval forces show the greatest change over the period FY 1964—FY 1975. Forces have been reduced as marginally effective ships have been retired. Further, to support ship modernization programs, trade-offs between ships and personnel have been made by the Navy. Principal changes from FY 1974 to FY 1975 result from the delivery of new ships to the fleet.

- Airlift and sealift forces remain unchanged in FY 1975.

- Total Defense direct military and civilian employment at the end of FY 1975 will be 3,180,000. This is 23,000 below the end FY 1974 strength. It is also 540,000 below the FY 1964 strength and 1,654,000 below the peak war FY 1968 level.

- Military personnel strengths continue to decrease in total. Of the 22,000 decrease in FY 1975, about 10,000 represent the continued civilianization program started in FY 1973. During the period FY 1966—FY 1975, a total of about *157,000* military positions will have been reduced due to civilianization programs. These programs must be taken into consideration in comparing military and civilian strengths between years.

- Civilian personnel strengths remain essentially level between FY 1974 and FY 1975. Civilian positions will increase by about 9,000 due to the civilianization program and this will be offset by a 10,000 reduction due to program changes. During the period FY 1966—FY 1975, a total of about 133,000 civilian positions were added to Civil Service rolls as a result of civilianization programs.

- Defense-related industry employment will continue its modest increase since FY 1973. It will, nevertheless, continue to be substantially below the prewar FY 1964 level and almost 45 percent below the FY 1968 war peak.

- Defense manpower (direct and industry-related) will take only 5.2 percent of the total labor force in FY 1975. The FY 1964 percentage was 7.9 percent, rising to 9.7 percent at the peak of the Southeast Asia war.

FINANCIAL SUMMARY

	FY 1964	FY 1968	FY 1973	FY 1974	FY 1975
DOD/MAP AS PERCENTAGE OF:					
Federal Budget (Outlays)	41.8%	42.5%	29.0%	27.9%	27.2%
Gross National Product	8.3%	9.4%	6.0%	5.9%	5.9%
Labor Force	7.9%	9.7%	5.6%	5.3%	5.2%
Net Public Spending	28.1%	29.2%	18.5%	17.8%	17.1%

DEFENSE EMPLOYMENT OUTLOOK

(END YEAR - IN THOUSANDS)

	FY 1964	FY 1968	FY 1973	FY 1974	FY 1975	CHANGE FY 74-FY 75
MILITARY						
Army	972	1,570	801	782	785	+3
Navy	667	765	564	551	541	-10
Marine Corps	190	307	196	196	196	-
Air Force	856	905	691	645	630	-15
TOTAL Military	2,685	3,547	2,252	2,174	2,152	-22
CIVILIAN						
Army	360	462	333	356	359	+3
Navy	332	419	322	326	324	-2
Air Force	305	331	271	271	270	-1
Defense Agencies/OSD	38	75	72	76	75	-1
TOTAL Civil Service	1,035	1,287	998	1,029 a/	1,028	-1
TOTAL - Military and Civil Service	3,720	4,834	3,250	3,203	3,180	-23
DEFENSE RELATED INDUSTRY	2,280	3,173	1,693	1,742	1,752	+10
TOTAL DEFENSE MANPOWER	6,000	8,007	4,943	4,945	4,932	-13

a/ Includes 19 thousand positions in FY 1974 Supplemental.

FY 1974 SUPPLEMENTS

($ MILLIONS)

PURPOSE		
Force Readiness		
Fuel Price Increase	480	
Middle East Payback	231	
Augmented Force Readiness	1,397	
Increased Airlift Capability	169	
Accelerated Modernization	516	
Strategic Program Changes	25	2,818
Military and Civilian Pay Increases		
January 1, 1973	1,495	
October 1, 1973	1,060	2,555
Retired Pay Cost of Living Increase		
July 1, 1973	287	
January 1, 1974	182	469
Wage Board Pay Increases		236
Basic Allowance for Subsistence		107
Postal Costs		48
Total		6,233
TITLE		
Military Personnel		2,000
Retired Pay		469
Operation and Maintenance		1,742
Procurement		1,772
Research, Dev., Test and Evaluation		217
Military Construction		29
Family Housing		4
Total		6,233
COMPONENT		
Army		1,872
Navy		1,866
Air Force		1,918
Defense Agencies		104
Defense-Wide		473
Total		6,233

Summary

The 1975 Defense budget provides for maintaining the high level of military capability that is required for our national security, the support of negotiations, and the fulfilling of U.S. responsibilities around the world.

In terms of real purchasing power, there is little change in the Defense budget from FY 1974 to FY 1975. Both budgets are below the FY 1973 level, and they represent—in terms of manpower and purchasing power—the lowest Defense budget levels since FY 1951.

In numerical terms, our forces are at the lowest level for a quarter century. Counting military personnel, Civil Service, and industry employment, more than 3 million people have left the Defense program since 1968; manpower in 1975 is more than a million below the levels of the peacetime years of the 1950s and early 1960s. The emphasis is, and must be, upon maximizing the capability of these smaller forces—through modernization, exploiting technology, vigorous and realistic training, and the provisions of adequate inventories to assure readiness.

The budget for FY 1975 represents a balanced austere program considering personnel and force levels, modernization, technology and readiness requirements. It is the minimum budget level required to support our national objectives of the preservation of peace and the total deterrence of attacks or undue pressure on the United States or its Allies—strategic nuclear deterrence, conventional force deterrence, and economic/political pressure deterrence.

COMMANDER'S DIGEST

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